

Message Text

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C O N F I D E N T I A L OECD PARIS 04100

E.O. 11652: GDS

TAGS: ENRG, OECD

SUBJECT: IEA: FOLLOW-UP ON CONSORTIUM PROPOSALS

REF: OECD PARIS 3726 (NOTAL)

1. SUMMARY. DELEGATIONS OF MAJOR IEA COUNTRIES HAVE
PUT QUESTIONS ON PARTICIPATION, MANAGEMENT AND OTHER
ASPECTS OF US ENERGY DEVELOPMENT CONSORTIUM PROPOSALS.
CANADIANS HAD PROBLEMS WITH NATIONAL TREATMENT PRINCIPLE
AND TIMING OF DECISIONS. JAPANESE WERE MOST NEGATIVE,
ASKING FOR DETAILS ON CONTENT AND BENEFITS TO JAPAN.
MISSION HAS EMPASIZED WILLINGNESS TO DISCUSS THESE AND
ANY OTHER PROPOSALS AND EXPRESSED EXPECTATION THAT FUR-
THER DETAILS OF US THINKING WILL BE AVAILABLE AT MEET-
INGS HERE NEXT WEEK. END SUMMARY.

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2. FOLLOWING ARE COMMENTS AND QUESTIONS PUT BY OTHER

DELEGATIONS (FRG, UK, JAPAN, AND CANADA) IN CONTACTS WE HAVE HAD ON PROPOSALS FOR CONSORTIA ON SYNTHETIC FUELS AND ENERGY R AND D (REFTEL PARA 7):

(A) ALL DELEGATIONS ASKED WHAT US ATTITUDE WOULD BE TOWARD PARTICIPATION OF NON-IEA COUNTRIES IN OVERALL CONSORTIA AND IN SPECIFIC CONSORTIA THAT WOULD BE ESTABLISHED UNDER THEM. PRINCIPAL INTEREST WAS IN FRANCE, WITH REFERENCE TO CONTRIBUTION THAT FRANCE (OR OTHERS) COULD MAKE IN SEVERAL OF THE FIELDS ENVISAGED. CANADIANS EXTENDED QUESTION TO OTHER COUNTRIES, INCLUDING NON-OECD COUNTRIES, AND SUGGESTED COMPLETE EXCLUSION MIGHT BE VERY DIFFICULT IN AREAS OF HEAVY INDUSTRIAL INVOLVEMENT. (WE HAVE ANSWERED THAT PROPOSAL WAS DESIGNED TO MEET ESSENTIAL ELEMENT OF IEA PROGRAM AND OUR UNDERSTANDING WAS THAT IT WOULD AT LEAST IN FIRST INSTANCE BE LIMITED TO IEA MEMBERS.)

(B) ALL WERE INTERESTED IN RIGHTS AND OBLIGATIONS OF PARTICIPANTS IN SPECIFIC CONSORTIA. SOME FOUND IT DIFFICULT TO RECONCILE "UNITARY MANAGEMENT" PRINCIPLE WITH THEIR NEED TO HAVE SOME INFLUENCE OVER A PARTICULAR PROJECT, AND THEY (ESPECIALLY UK) WERE CONCERNED WITH THEIR FREEDOM OF ACTION TO WITHDRAW IF, FOR INSTANCE, COST ESTIMATES CHANGED DRASTICALLY. GERMANS WERE MUCH INTERESTED IN OWNERSHIP OF PATENTS AND LICENSING RIGHTS THAT MIGHT RESULT FROM CONSORTIUM PROJECTS. (WE EXPRESSED OUR UNDERSTANDING THAT, WHILE THE OVERALL CONSORTIUM AGREEMENT IN EACH CASE WOULD ESTABLISH A SET OF PRINCIPLES, THEIR APPLICATION IN CONTRACT RELATIONSHIPS OF EACH SPECIFIC CONSORTIUM WOULD BE MATTER OF NEGOTIATION BETWEEN THE GOVERNMENT WHOSE NATIONAL PROGRAM WAS INVOLVED AND POTENTIAL PARTICIPANTS FROM OTHER COUNTRIES, AND THAT SUCH NEGOTIATION WOULD INCLUDE PARTICIPATION, CONTRIBUTIONS AND DISTRIBUTION OF BENEFITS INCLUDING PATENTS AND LICENSING RIGHTS.)

(C) DELEGATIONS ASKED HOW R AND D CONSORTIUM PROPOSAL WOULD RELATE TO NINE CURRENT IEA R AND D PROJECTS AND PROPOSAL THAT IEA FOCUS IMMEDIATE ATTENTION ON ABOUT CONFIDENTIAL

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TWO IMPORTANT R AND D AREAS.

(D) GERMAN AND JAPANESE DELEGATIONS QUESTIONED WHETHER PROPOSALS WOULD CONFLICT WITH MFN OBLIGATIONS. (WE SAID WE THOUGHT NOT, SINCE BENEFITS WOULD BE RECEIVED IN RETURN FOR CONTRIBUTIONS MADE ON CONTRACTUAL

BASIS.)

(E) CANADIANS HAD TWO UNIQUE REACTIONS: (1) THEY WERE CONFIDENT THAT OTTAWA WOULD OBJECT TO PHRASE "NATIONAL TREATMENT," SINCE CANADIANS ARE NOT PREPARED TO ACCEPT NATIONAL TREATMENT PRINCIPLE WITH RESPECT TO FOREIGN INVESTMENT, AND (2) THEY THOUGHT CANADA WOULD NOT BE ABLE TO TAKE DECISION ON CONSORTIUM PROPOSALS BEFORE EARLY APRIL CONFERENCE BETWEEN FEDERAL GOVERNMENT

AND OIL-PRODUCING PROVINCES. (WE SAID WE UNDERSTOOD US FELT AGREEMENT IN PRINCIPLE ON A POLICY WAS REQUIRED PRIOR TO PREPARATORY MEETING WITH PRODUCERS, BUT DETAILS WOULD HAVE TO BE AGREED UPON LATER.)

(F) JAPANESE WERE MOST NEGATIVE AMONG DELEGATIONS WE CONTACTED. THEY ARE NOT CONVINCED THAT US PROPOSALS WOULD PROVIDE BENEFITS FOR RESOURCE-POOR COUNTRY LIKE JAPAN, AND THEY THOUGHT GOJ WOULD WANT MORE DETAILS ON NATURE OF SPECIFIC CONSORTIA BEFORE AGREEING TO CONCEPT. JAPAN WOULD ALSO WANT ASSURANCES THAT PROJECTS AND PROGRAMS WOULD TAKE PLACE IN JAPAN AS WELL AS ELSEWHERE AND THAT JAPAN WOULD HAVE GUARANTEED ACCESS TO ENERGY SUPPLIES. NOTING JAPANESE OPPOSITION TO FLOOR PRICE PROPOSAL, THEY SAID JAPAN MIGHT INVEST IN "ECONOMIC" (FIRST-TIER) PROJECTS IN OTHER IEA COUNTRIES. (WE SUGGESTED AGREEMENT TO CONCEPT WOULD NOT COMMIT JAPAN TO SPECIFIC PROJECTS AND THAT PARTICIPATION IN SPECIFIC CONSORTIA WOULD DEPEND ON JAPANESE EVALUATION OF COSTS AND BENEFITS IN EACH CASE. WE SAID WE THOUGHT USDEL TO MEETINGS NEXT WEEK WOULD BE PREPARED TO SUPPLY MORE DETAILS OF US PROPOSALS INCLUDING NATURE OF SPECIFIC CONSORTIA THAT MIGHT BE ESTABLISHED.)
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